

PETSEC ENERGY LTD

ACN 000 602 700

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Significant boost to Petsec Energy's Yemen oil and gas interests with acquisition of 100% participating interest and operatorship in established production area of Damis (Block S-1) Production Licence

Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)

Australia's Petsec Energy Ltd (ASX: "PSA" or the "Company") is pleased to advise a further significant expansion of its oil and gas interests in the Republic of Yemen with the acquisition of entities holding the entire (100%) participating interest (82.5% equity interest) and operatorship of the Damis (Block S-1) Production Licence.



The Damis (Block S-1) Production Licence holds five sizeable oil and gas discoveries – the developed and producing, until suspended in 2014, An Nagyah oil field, and a further four undeveloped oil and gas fields within the licence area – Osaylan, An Naeem, Wadi Bayhan and Hamel.

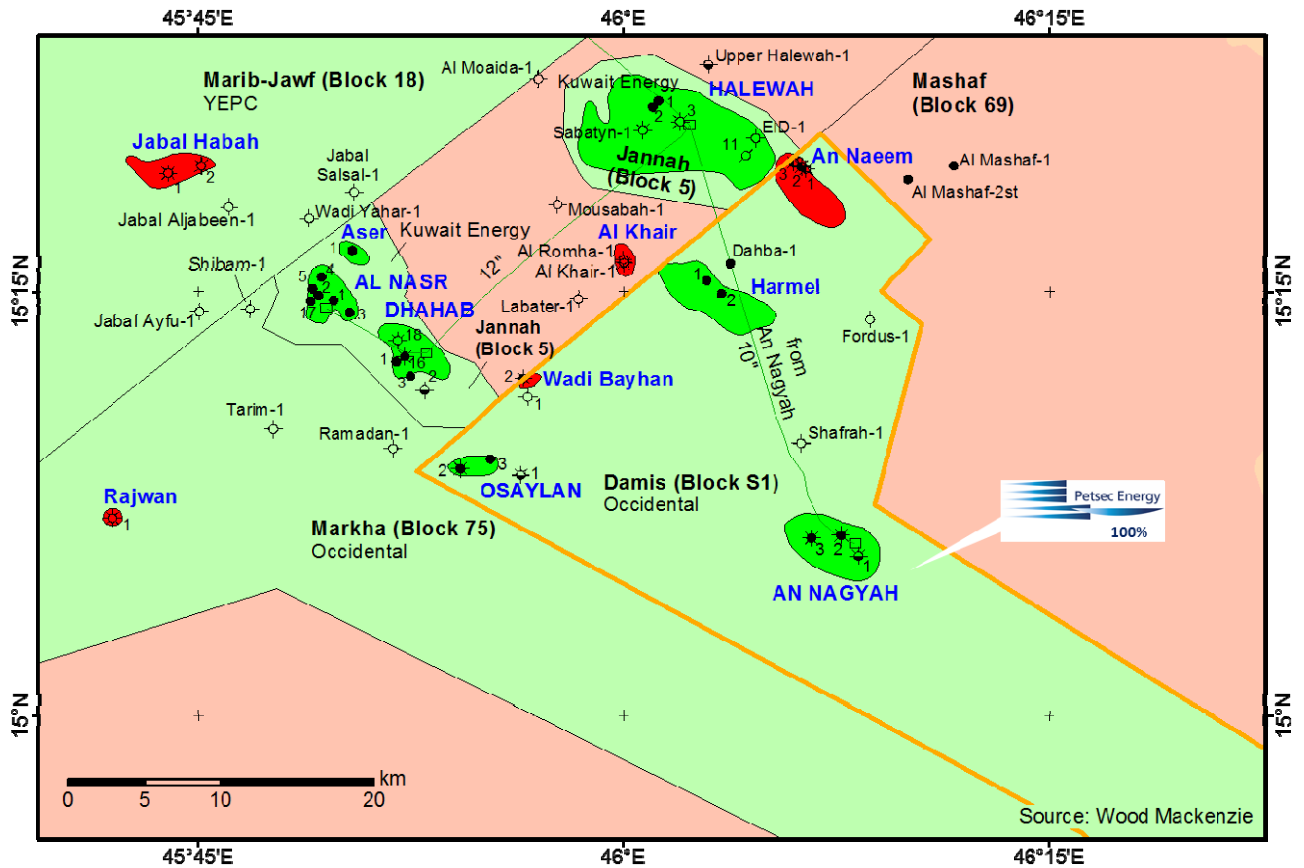
The An Nagyah oil field commenced production in March 2004 and has produced 25 million barrels of oil to-date from 25 wells, reaching a peak oil rate of 12,716 BOPD in March 2006. The field was producing at a limited rate of 5,000 BOPD at an estimated lifting cost of US\$7.50/barrel, when it was shut in at the end of February 2014. Production at the shut-in rate is expected to extend beyond 2023, the initial term of the Production Licence.

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Canadian reserve engineers DeGolyer and MacNaughton Canada Limited, the reserve auditor to TransGlobe Energy Corporation (TSE: TGL) for the Damis Block S-1, which reports have been released to the Toronto Stock Exchange, has been commissioned by Petsec Energy to undertake an economic reserve audit to assess the remaining economic benefit to the Company. These results will be released in due course.

The newly acquired Damis (Block S-1) Production Licence, which continues Petsec’s stated policy of acquiring developed and undeveloped oil reserves in the Middle East region, is located approximately 80 kilometres to the southwest of the Company’s exploration Block 7 which holds the Al Meashar oil field discovery, in the Sab’atayn Basin, in central West Yemen.



Wood Mackenzie Pathfinder, Q1 2016

Petsec’s purchase of the Damis (S-1) Production Licence was achieved through the acquisition by the Company’s wholly owned subsidiary Petsec Energy (Middle Eastern) Limited, of all the shares of Yemen (Block S-1) Inc., a wholly owned subsidiary of Occidental Petroleum Corporation (NYSE: OXY), and the operator of Damis (Block S-1) holding a 75% participating interest, and the acquisition of all of the shares of TG West Yemen Inc., a wholly owned subsidiary of TransGlobe Energy Corporation (TSE: TGL), which holds a 25% participating interest.

The acquisition consideration is comprised of a base cash payment of US\$0.7 million plus trailing payments, subject to the recommencement of production and other conditions precedent. The block is currently subject to Force Majeure due to the current political issues in Yemen and consequent inability to ship oil from the West coast of Yemen, at the export pipeline terminus for the An Nagyah oil field.

Mr. Maki Petkovski, Chief Executive Officer of Petsec Energy (Middle Eastern) Limited, said “the Damis (Block S-1) Production Licence acquisition materially increases the Company’s developed oil and gas reserves and provides further major development opportunities which, when developed, would substantially increase the block’s oil and gas production. The block contains significant existing infrastructure, including surface facilities with a capacity to process up to 20,000 barrels of oil per day (BOPD) and an 80,000 BOPD pipeline

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which joins the 200,000 BOPD Marib export pipeline to the Ras Isa terminal on the Red Sea coast, to the West. The Marib pipeline was the export pipeline for Damis Block S-1 crude sales until production was suspended in 2014. Excess capacity exists in the Marib export pipeline for restart of the An Nagyah oil field and for future development of the remaining undeveloped oil fields in the Damis (Block S-1) block.”

“It is Petsec’s intention to restart production as early as is feasible, either by piping or trucking or a combination of both, even while conflict exists elsewhere in the country.”

Petsec Energy’s Chairman, Terry Fern, commented on the acquisition:

“The negotiations to acquire the Damis Block S-1 Production Licence have taken over a year and we are very pleased to have finally secured the developed An Nagyah oil field that can be brought back into production soon after shipping and refinery acceptances recommence in Yemen, which we are hopeful will be this year.

The anticipated cash flow from An Nagyah production will provide the necessary capital to develop the substantial oil reserves we have secured in Block Damis S-1 and Block 7. This substantial increase in the Company’s oil and gas reserves added to the significant discoveries made in the US in 2015, has materially increased the underlying value of Petsec Energy despite the current low oil prices.

We expect that 2016 will be a year of marked growth for the Company”

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Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and state waters of the Louisiana Gulf Coast region of the USA, and exploration activities in the Gulf Coast onshore and bay areas of Texas and Louisiana, USA and Yemen.



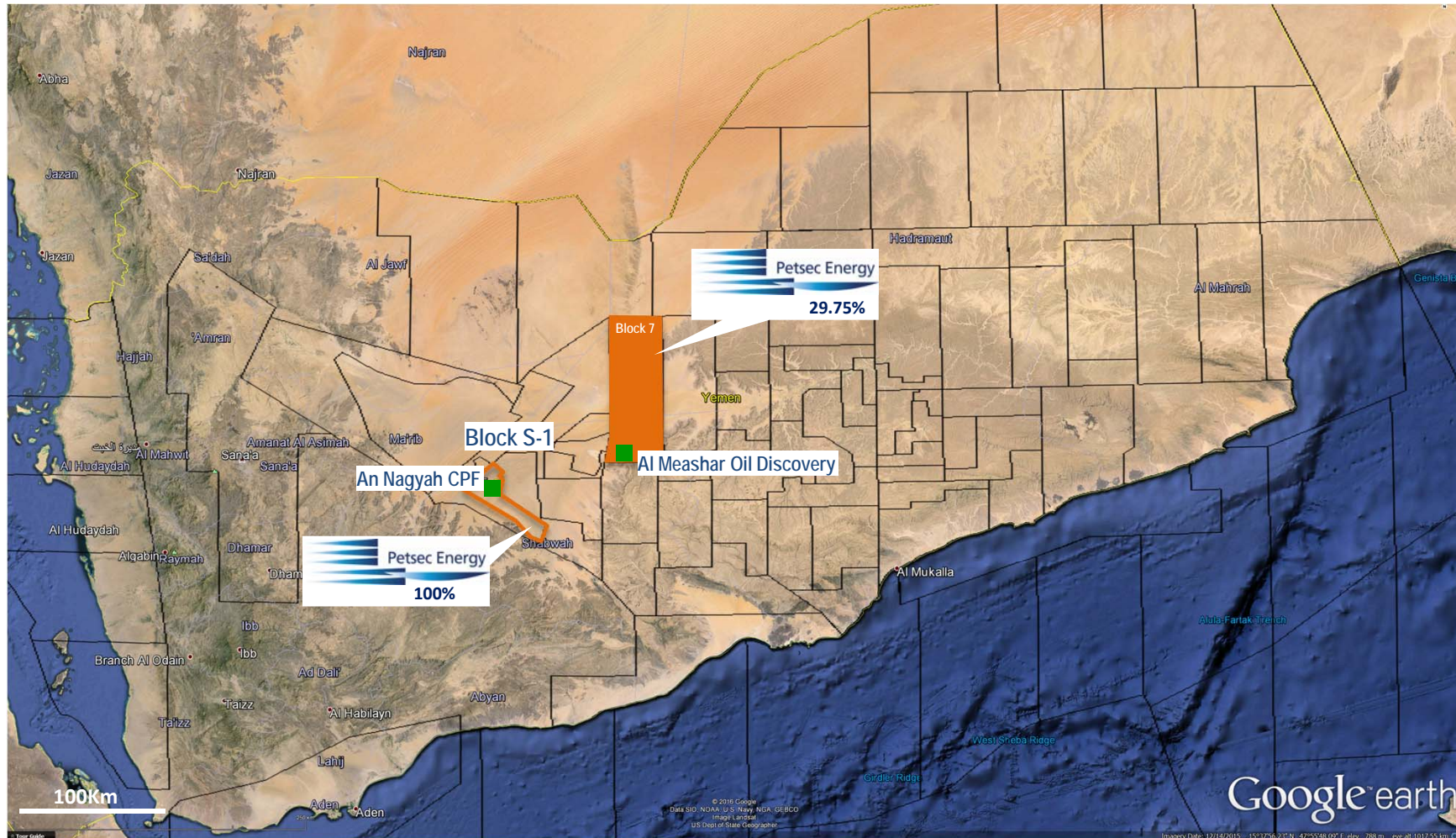
DAMIS (Block S1), An Nagyah Oil Field





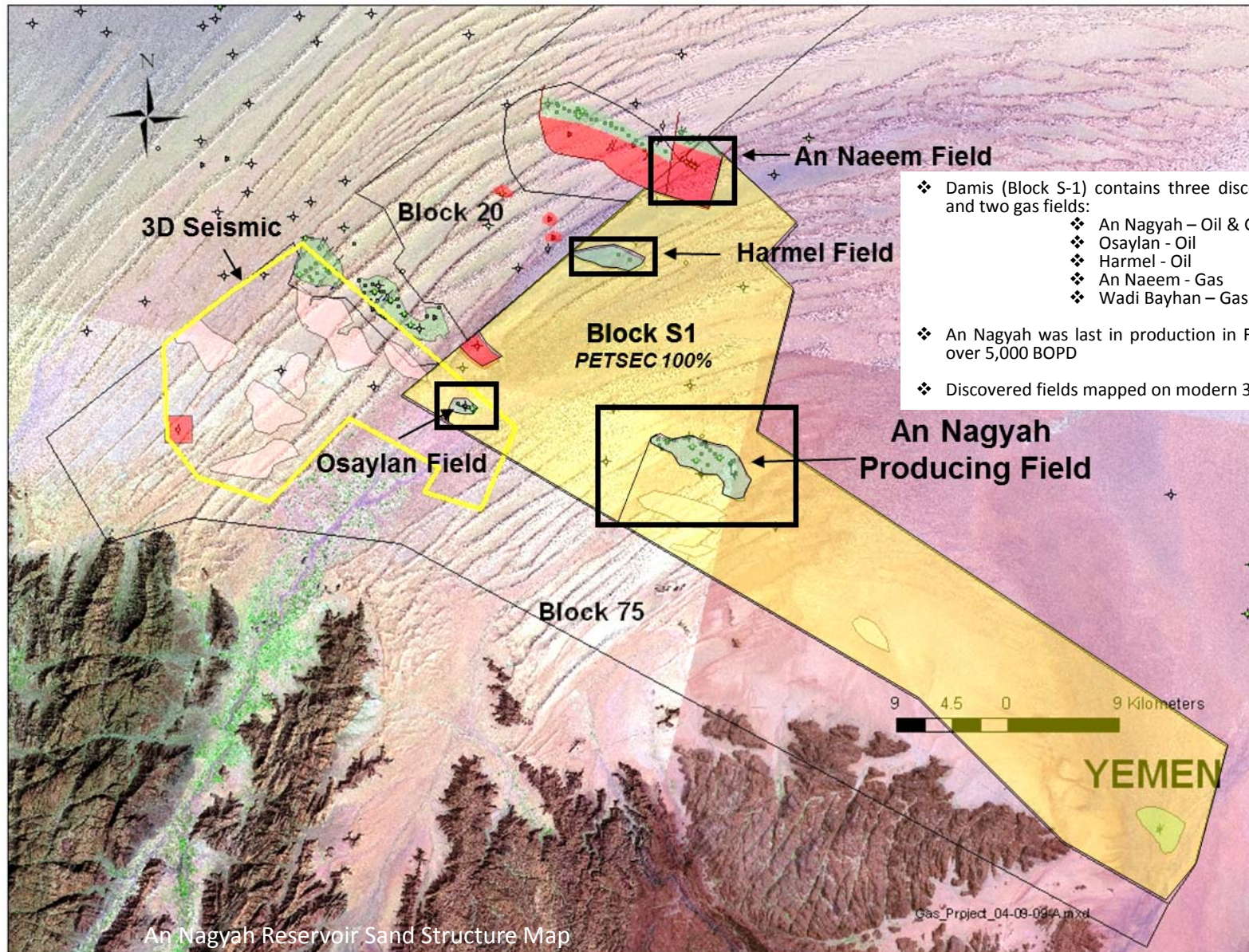
Yemen Portfolio February 2016

Petsec Operator of DAMIS (Block S-1)



- ❖ Petsec Energy completes the acquisition of a 100% participation interest in the Damis (Block S-1) Production Licence containing the An Nagyah Oil Field

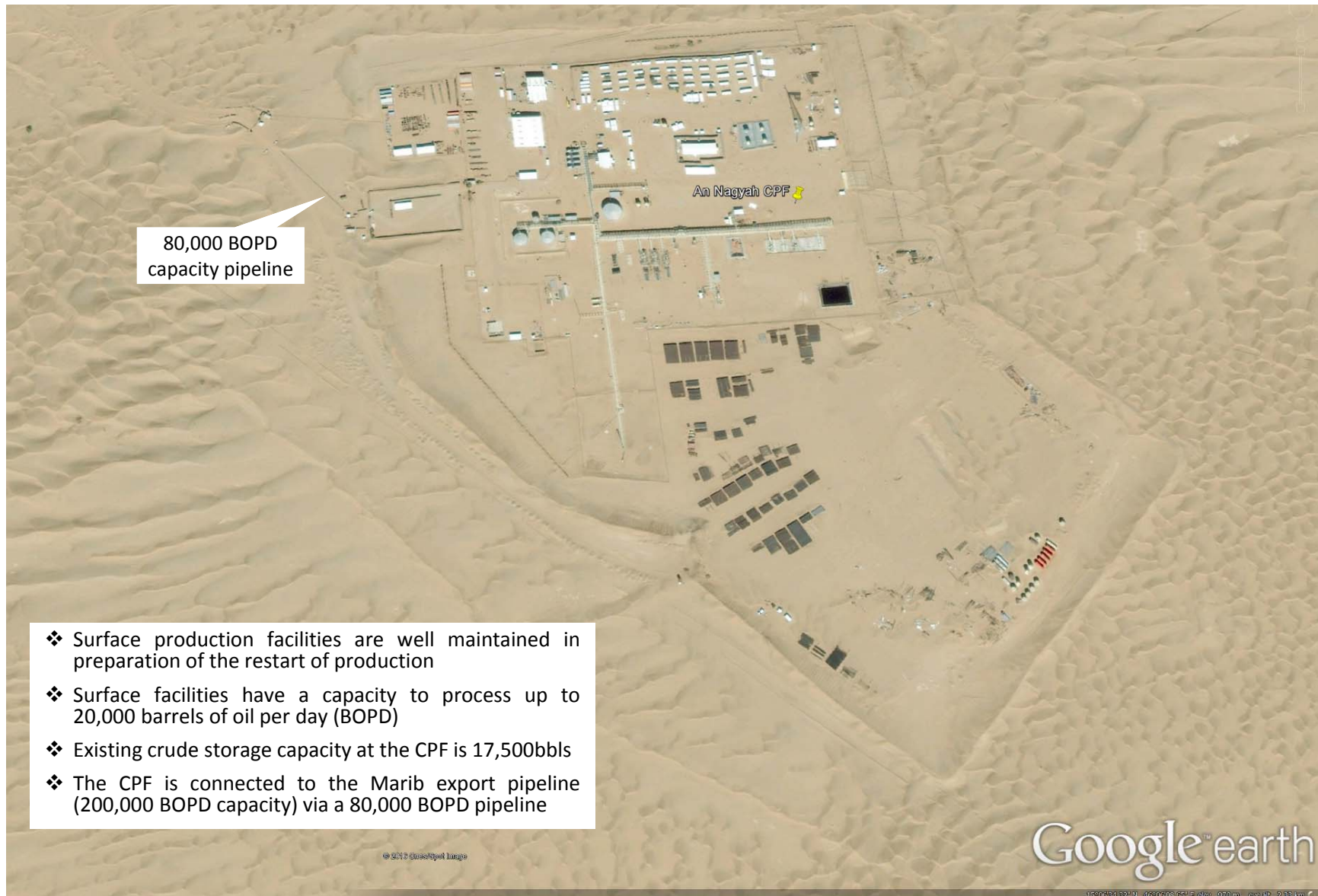
Damis (Block S-1) Discovered Fields: 3 Oil Fields & 2 Gas Fields



- ❖ Damis (Block S-1) contains three discovered oil fields and two gas fields:
 - ❖ An Nagyah – Oil & Gas
 - ❖ Osaylan - Oil
 - ❖ Harmel - Oil
 - ❖ An Naeem - Gas
 - ❖ Wadi Bayhan – Gas
- ❖ An Nagyah was last in production in February 2014 at over 5,000 BOPD
- ❖ Discovered fields mapped on modern 3D Seismic Data

An Nagyah Reservoir Sand Structure Map

Gas_Prpjct_04-08-09A.mxd



80,000 BOPD
capacity pipeline

An Nagyah CPF

- ❖ Surface production facilities are well maintained in preparation of the restart of production
- ❖ Surface facilities have a capacity to process up to 20,000 barrels of oil per day (BOPD)
- ❖ Existing crude storage capacity at the CPF is 17,500bbls
- ❖ The CPF is connected to the Marib export pipeline (200,000 BOPD capacity) via a 80,000 BOPD pipeline

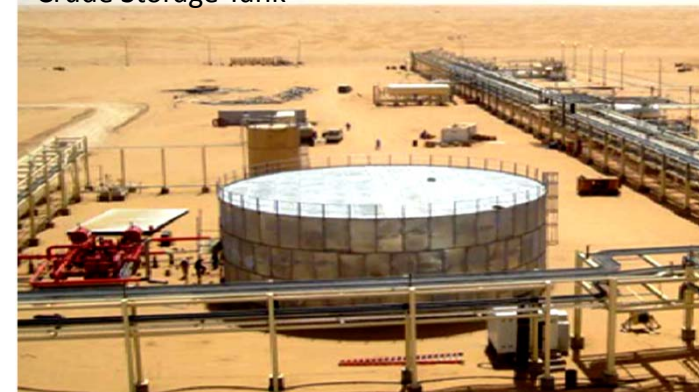
Generators & Office Block



Desalinater



Crude Storage Tank



Separator



- ❖ Major investment on surface facilities by previous operator
- ❖ Existing infrastructure with a capacity of 20,000 BOPD can be increased at modest cost
- ❖ Ongoing care and maintenance since shut-in in February 2014, last producing over 5,000 BOPD
- ❖ Experienced national (Yemeni) production staff based at central processing facility